

**DIRECT TESTIMONY**  
**OF**  
**WILLIAM H. ATWOOD, JR., P.E.**  
**WATER ENGINEER**

**WATER DEPARTMENT**  
**FINANCIAL ANALYSIS DIVISION**  
**ILLINOIS COMMERCE COMMISSION**

**AQUA ILLINOIS, INC. AND ELLWOOD GREENS UTILITY CORPORATION**

**PETITION FOR APPROVAL OF PROPOSED REORGANIZATION  
AND APPROVAL OF ASSET PURCHASE AGREEMENT;  
PETITION FOR ISSUANCE OF CERTIFICATE OF PUBLIC CONVENIENCE  
AND NECESSITY TO OPERATE WASTEWATER SYSTEM;  
AND APPROVAL OF RATES AND ACCOUNTING ENTRIES**

**DOCKET NO. 09-0335**

**November 6, 2009**

**WITNESS IDENTIFICATION AND BACKGROUND**

**Q. Please state your name and business address.**

A. My name is William H. Atwood, Jr. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

**Q. Please describe your present position and its responsibilities.**

A. I am presently employed as a Water Engineer in the Water Department of the Financial Analysis Division of the Illinois Commerce Commission ("ICC" or "Commission"). My responsibilities include reviewing and analyzing tariff filings related to rates, rules, regulations, and conditions of service for water and sewer service; reviewing applications for certificates of public convenience and necessity; reviewing information regarding the prudence of Qualifying Infrastructure Plant investment costs; reviewing applications for approval of proposed reorganizations; reviewing various other petitions pertaining to water or sewer utilities; inspection of water and sewer facilities; and presenting expert witness testimony at Commission hearings.

**Q. Please describe your professional experience.**

A. I have been employed by the Commission since February 2007. Prior to joining the Commission, I was employed by the Illinois Department of Transportation ("IDOT") - Division of Highways/District 6 as a civil engineer for approximately four and one-half years. My primary responsibilities included preparation of

24 engineering reports, plans and specifications for urban and rural highway  
25 renovation projects. I also performed construction inspections to check  
26 compliance with plans and specifications, and for preparation of contractor  
27 payments.

28  
29 Prior to IDOT, I was with Benton and Associates, Inc., a consulting engineering  
30 firm located in Jacksonville, Illinois, for approximately twelve years. My primary  
31 role was project manager for various environmental engineering projects that  
32 included wastewater treatment plants, sanitary sewers, wastewater pump  
33 stations, potable water mains, raw water pumping systems, and land application  
34 of potable water and wastewater sludge. Work responsibilities included  
35 preparation of engineering planning reports, engineering design, preparation of  
36 construction documents, obtaining easements, preparing Illinois Environmental  
37 Protection Agency ("IEPA") construction permit applications, construction  
38 inspection and engineering, construction contract administration, and providing  
39 assistance in obtaining loan and grant project funding.

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41 Prior to Benton and Associates, Inc., I was with the IEPA - Division of Water  
42 Pollution Control for approximately six years in both the Permits Section and the  
43 Field Operations Section. While in the Permits Section, I reviewed preliminary  
44 engineering reports, construction plans and specifications for compliance with  
45 technical standards, and eligibility for grant funding. In the Field Operations  
46 Section, I performed monitoring and inspection of municipal and industrial

wastewater treatment facilities for compliance with National Pollutant Discharge Elimination System Permit conditions and Title 35 water regulations, investigated citizen pollution complaints and provided regulatory and operational assistance to industrial and municipal wastewater personnel.

**Q. Please describe your educational background.**

A. I received a Bachelor of Science Degree in Civil Engineering from the University of Illinois at Urbana-Champaign in 1983. I became a Licensed Professional Engineer ("P.E.") in the State of Illinois in January of 1991.

**Q. Please describe your professional affiliations.**

A. I am a member of the American Water Works Association, the Water Environment Federation, and the National Society of Professional Engineers.

**Q. Have you previously provided expert testimony in regulatory matters?**

A. Yes. I have previously provided testimony in a Combined Sewer Overflow Exception hearing before the Illinois Pollution Control Board while working at the IEPA. I have provided testimony before the Commission on numerous issues related to my responsibilities.

## **INTRODUCTION**

**Q. What is the purpose of this proceeding?**

A. Aqua Illinois, Inc. ("Aqua") and Ellwood Greens Utility Corporation ("Ellwood

Greens”), (collectively, the “Joint Applicants”) have filed a Second Amended Joint Petition (“SA Joint Petition”) that seeks approval from the Commission of the acquisition by Aqua of Ellwood Greens’ wastewater system assets, pursuant to Sections 7-102, 7-204, and 7-204A of the Illinois Public Utilities Act (“Act”).

Specifically, the Joint Applicants are requesting approval of the following items:

1) a permanent transfer of an existing Certificate of Public Convenience and Necessity ("Certificate") for Ellwood Greens to Aqua, thereby authorizing Aqua to construct, operate, and maintain a wastewater collection and treatment system, and in connection therewith, transact a public utility business in Kingston and Genoa Townships within DeKalb County near the City of Genoa, Illinois, serving the subdivisions of Ellwood Greens and Highland Hills (the "Ellwood Greens Area"), pursuant to Section 8-406 of the Act;

2) an asset purchase agreement entered into between Aqua and Ellwood Greens and the acquisition of the assets of Ellwood Greens by Aqua (the "Acquisition");

3) the rates currently in effect for Ellwood Greens as applicable for Aqua:

4) accounting entries to record the net original cost of the wastewater facilities used to provide service in the Ellwood Greens Area;

5) the filing of new tariff sheets which transfer the application of the existing tariff to Aqua from Ellwood Greens, and apply the tariff to the Ellwood Greens Area; and

6) Ellwood Greens' request to permanently abandon wastewater service in the Ellwood Greens Area, pursuant to Section 8-508 of the Act.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to provide Staff opinion on whether the proposed reorganization meets certain requirements of Section 7-204 of the Act.

Specifically, I will be examining Subsections 7-204 (b)(1), (b)(5), (b)(6) and (b)(7) of the Act. I also will address whether the Joint Applicants’ request to transfer

Ellwood Greens' existing Certificate to Aqua should be issued, whether Ellwood Greens should be allowed to permanently abandon wastewater service, and whether Aqua's proposed Rates, Rules, Regulations, and Conditions of Service tariffs for wastewater service should be approved.

**Q. Will other issues be addressed by Staff in this proceeding?**

A. Yes. Staff witness Diana Hathhorn will address accounting issues in ICC Staff Exhibit 2.0. Staff witness Janis Freetly will address the financial issues in ICC Staff Exhibit 3.0. Staff witness William R. Johnson will address depreciation rates in ICC Staff Exhibit 4.0.

**Q. Have you reviewed the Joint Applicants' positions in this proceeding?**

A. Yes, I have. I have reviewed the Second Amended Joint Petition, including Exhibits A, B, and C attached thereto; and the Direct Testimonies of Aqua witnesses Paul Anthony Wright ("Wright Testimony") and Paul J. Hanley ("Hanley Testimony") and the exhibits attached thereto. I also conducted an on-site inspection of the Ellwood Greens wastewater facility on September 18, 2009.

**Q. Please describe Ellwood Greens and its wastewater facilities.**

A. Ellwood Greens provides wastewater service to approximately 239 residential and 1 commercial customer in the Ellwood Greens, Country Creek Communities, Genoa Woods, Highland Hills, Oak Creek Estates, Oak Estates, and Oak Ridge Estates Subdivisions, all located approximately 1 1/2 miles southwest of the City

of Genoa in Kingston and Genoa Townships, DeKalb County, Illinois. Ellwood Greens was issued a Certificate by the Commission on April 30, 1975 in Docket No. 59400.

The wastewater collection system consists of approximately 18,700 lineal feet of 8-inch and 10-inch in diameter gravity flow sanitary sewer main and four lift stations. The wastewater treatment plant is a two-cell aerated lagoon system with a rock filter and an effluent disinfection system.

**PROPOSED REORGANIZATION**

**Q. Section 7-204(b)(1) of the Act requires that, “the proposed reorganization will not diminish the utility’s ability to provide adequate, reliable, efficient, safe and least-cost public utility service.” Do you believe that the proposed reorganization will not diminish the ability of Aqua to provide adequate, reliable, efficient, safe and least-cost service to its customers?**

**A.** Yes. Aqua has stated that the Acquisition will not adversely affect Aqua’s ability to provide adequate, reliable, efficient, safe, and least-cost public utility wastewater services. (SA Joint Petition, page 5, ¶12; and Wright Testimony, page 9, lines 166-167) Aqua stated that it will enhance the adequacy, reliability, efficiency, and safety of wastewater service provided to customers in the Ellwood Greens Area subsequent to the Acquisition, with no detriment to Aqua’s current customers. (SA Joint Petition, pages 4-5, ¶11) Aqua currently provides wastewater service to more than 11,000 customers in 5 separate operating systems within Illinois and is the state’s second largest investor-owned utility. It has been my experience that

Aqua's wastewater systems in Illinois are well operated and maintained. The acquisition of Ellwood Greens, which is a relatively small wastewater system with only approximately 240 customers, should not adversely affect Aqua's ability to provide adequate, reliable, efficient, safe, and least-cost public utility wastewater service.

**Q. If the reorganization is approved, will Aqua "remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities," as required by Subsection 7-204(b)(5) of the Act?**

A. Yes. Aqua is a public utility as defined in Section 3-105 of the Act, and will continue to be under the jurisdiction of the Commission following the proposed reorganization. Aqua stated that it will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities. (SA Joint Petition, page 5, ¶15; and Wright Testimony, page 10, lines 192 -194) Aqua will remain subject to its Rules, Regulations, and Conditions of Service tariffs for wastewater service, which are on file with, and approved by, the Commission.

**Q. Will the proposed reorganization have a significant adverse effect on competition in those markets over which the Commission has jurisdiction, which Subsection 7-204(b)(6) of the Act discourages?**

A. No, it will not. Aqua states that due to the geographical separation of their service areas, there is no significant competition for customers and/or wastewater services between Aqua and Ellwood Greens. Therefore, the Acquisition is not likely to have a significant adverse effect on competition in Illinois. (SA Joint Petition, page 5, ¶16;



and Wright Testimony, page 9, lines 168-172) There are no other public utilities over which the Commission has jurisdiction located in DeKalb County. I agree with the Joint Applicants that the proposed reorganization is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction..

**Q. Has Aqua demonstrated that “the proposed reorganization is not likely to result in any adverse rate impacts on retail customers”, as required by Subsection 7-204(b)(7) of the Act?**

A. Yes, it has. Aqua proposes that the rates and charges for wastewater service in the Ellwood Greens Area be the same as those currently in effect and approved by the Commission for Ellwood Greens. Aqua stated that the Acquisition is not likely to result in any adverse rate impacts on retail customers. (SA Joint Petition, page 2, page 5, ¶17, page 6, ¶21 and 22, page 7; Wright Testimony, page 10, lines 183-187; and Hanley Testimony, page 4, lines 72-76) Since Aqua intends to operate under the current rates and charges for the Ellwood Greens Area, I see no adverse rate impacts on the customers.

Mr. Hanley testifies that it may be necessary to institute a future rate increase, estimated to be 41.2%. (Hanley Testimony, page 4, lines 83-87; Aqua Exhibit 2.2) This rate increase will fund the substantial improvements proposed by Aqua to the existing wastewater system. (SA Joint Petition, page 4, ¶8; Wright Testimony, page 6, lines 93-107; Aqua Exhibit 2.2) According to Aqua, the proposed wastewater system improvements are necessary to provide and

enhance adequate, reliable, efficient, and safe wastewater service to the customers in the Ellwood Greens Area. (SA Joint Petition, page 4, ¶11; Wright Testimony, page 9, lines 160-161) In my opinion, as necessary improvements are made to the wastewater system, rate increases will occur regardless of ownership.

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**Q. Please explain what the requirements are for a public utility to be issued a Certificate to construct wastewater facilities and/or to provide wastewater service to an area.**

**A. Section 8-406(b) of the Act, states in part:**

No public utility shall begin the construction of any new plant, equipment, property or facility which is not in substitution of any existing plant, equipment, property or facility or any extension or alteration thereof or in addition thereto, unless and until it shall have obtained from the Commission a certificate that public convenience and necessity require such construction. Whenever after a hearing the Commission determines that any new construction or the transaction of any business by a public utility will promote the public convenience and is necessary thereto, it shall have the power to issue certificates of public convenience and necessity. The Commission shall determine that proposed construction will promote the public convenience and necessity only if the utility demonstrates: **(1) that the proposed construction is necessary to provide adequate, reliable, and efficient service to its customers and is the least-cost means of satisfying the service needs of its customers; (2) that the utility is capable of efficiently managing and supervising the construction process and has taken sufficient action to ensure adequate and efficient construction and supervision thereof; and (3) that the utility is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers. (Emphasis added)**

**Q. Have any other utilities or municipalities expressed interest in providing wastewater service in the Ellwood Greens Area?**

A. No. No other investor owned utilities have expressed any interest in providing wastewater service in the Ellwood Greens Area. There are no other investor owned utilities located in DeKalb County. The City of Genoa ("Genoa") is the nearest municipality capable of providing wastewater service. According to the Aqua, (SA Joint Petition, pages 3-4, ¶7; Wright Testimony, page 9, lines 173 - 178) Genoa has been notified of this proceeding and the proposed acquisition. However, Genoa has not filed a petition to intervene or expressed interest in providing wastewater service to Ellwood Greens customers.

**Q. Is it your opinion that the proposed construction is necessary to provide adequate, reliable, and efficient service to the customers within the Ellwood Greens Area and is the least-cost means of satisfying the service needs of the Ellwood Greens customers; as required by Section 8-406(b)(1) of the Act?**

A. Yes. Ellwood Greens has requested that Aqua acquire its wastewater system and provide retail wastewater service to its existing customers within the Ellwood Greens Area. (Wright Testimony, page 5, lines 82-88, pages 5-6, lines 91-92) No other utility or municipality has expressed interest in providing this service. According to Aqua, the proposed construction of the wastewater system improvements are necessary to provide and enhance adequate, reliable, efficient, and safe wastewater service to the customers within the Ellwood Greens Area. (SA Joint Petition, page 4, ¶11; Wright Testimony, page 9, lines 160-161) According to Mr. Wright, the wastewater system is in need of substantial capital improvements. (Wright Testimony, page 6, lines 93-107; SA

Joint Petition, page 4, ¶8) As I stated in my testimony above pertaining to Section 7-204(b)(1) of the Act, I believe that Aqua has the ability to provide adequate, reliable, efficient, safe and least-cost public utility wastewater service.

**Q. Is it your opinion that Aqua is capable of efficiently managing and supervising the construction, as required by Section 8-406(b)(2) of the Act?**

A. Yes. Aqua states that it is capable of efficiently managing and supervising the construction process of any necessary capital improvements, and will take action to ensure that the construction and supervision thereof is adequate and efficient. (Wright Testimony, page 9, lines 161-164) Aqua further states that it has the technical and managerial ability to operate and maintain a wastewater collection and treatment system for the Ellwood Greens Area. (Wright Testimony, page 8, lines 154-155; SA Joint Petition Exhibit C, page 9) Aqua states that it has the expertise to address the maintenance and operational issues of the Ellwood Greens wastewater system. (Wright Testimony, page 6, lines 93-95) Aqua has many years of experience managing and supervising this type of construction. Therefore, I agree that Aqua is capable of efficiently managing and supervising the construction of any wastewater system improvements.

**Q. Do you agree that Aqua is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers, as required by Section 8-406(b)(3) of the Act?**

A. Janis Freetly will address this issue in ICC Staff Exhibit 3.0.

**Q. Do you agree with the Joint Applicants' request for a permanent transfer of Ellwood Greens' existing Certificate to Aqua?**

A. Yes. Ellwood Greens is requesting authority to abandon its wastewater service, and Aqua is requesting authority to provide wastewater service to replace that of Ellwood Greens. With the cancellation of Ellwood Greens' Certificate, there is a need and demand for public utility wastewater service in the Ellwood Greens Area. As I stated in my testimony above, Aqua has demonstrated that it is able to provide adequate, reliable, efficient, and least-cost wastewater service to the Ellwood Greens customers; and is capable of efficiently managing and supervising any construction required. No other utility or municipality has expressed interest in providing wastewater service in the Ellwood Greens Area. Therefore, it is reasonable that Aqua be issued a Certificate under Section 8-406 of the Act to provide wastewater service in the current Ellwood Greens Area as shown on the map in Exhibit A of the Second Amended Joint Petition and legally described in Exhibit B of the Second Amended Joint Petition.

**DISCONTINUANCE OF SERVICE**

**Q. Do you believe that it is appropriate for the Commission to approve the Joint Applicants request that Ellwood Greens be permitted to abandon its wastewater service operations in the Ellwood Greens Area?**

A. Yes. Ellwood Greens does not have the necessary capital, expertise, or the desire to address the ongoing maintenance and operational issues with its wastewater system. (Wright Testimony, page 6, lines 93-107) Aqua will continue to provide wastewater service to the Ellwood Greens Area without interruption. Therefore, it is

reasonable that Elwood Greens be allowed to discontinue wastewater service in the Ellwood Greens Area pursuant to Section 8-508 of the Act and cancel its Certificate.

**RATES, RULES, REGULATIONS, AND CONDITIONS OF SERVICE TARIFFS**

**Q. What Rates, Rules, Regulations, and Conditions of Service tariffs for wastewater service does Aqua propose to be applied to customers in the Ellwood Greens Area?**

A. Aqua has proposed (Wright Testimony, page 5, lines 76-79, page 10, lines 188-191; SA Joint Petition, page 6) that the customers in the Ellwood Greens Area be subject to its Rules, Regulations, and Conditions of Service tariffs for wastewater service currently on file with, and approved by, the Commission.

Aqua proposes that the rates and charges for wastewater service in the Ellwood Greens Area be the same as those currently in effect and approved by the Commission for Ellwood Greens. (Wright Testimony, page 10, lines 183-187; Hanley Testimony, pages 3-4, lines 71-75; SA Joint Petition, page 2, page 6, ¶21, ¶22, page 7)

**Q. Do you agree that Aqua's current Rules, Regulations, and Conditions of Service tariffs for wastewater service should be applicable to customers in the Ellwood Greens Area?**

A. Yes. These tariffs are up-to-date and will not require any substantive changes as a result of the proposed reorganization.

326 **Q. Do you agree that Ellwood Greens' current rates for wastewater service should**  
327 **be applicable to customers in the Ellwood Greens Area?**

328 A. Yes.

329

330 **Q. Do you have any proposed changes to the Aqua Rates, Rules, Regulations,**  
331 **and Conditions of Service tariffs for wastewater service?**

332 A. Yes. I recommend that Aqua file revised Rules, Regulations, and Conditions of  
333 Service tariffs for wastewater service that include Ellwood Greens, Country  
334 Creek Communities, Genoa Woods, Highland Hills, Oak Creek Estates, Oak  
335 Estates, and Oak Ridge Estates Subdivisions near the City of Genoa in Genoa  
336 and Kingston Townships, DeKalb County, Illinois on ILL. C. C. No. 48, Title Page,  
337 and ILL. C. C. No. 48, Section No. 1, Sheet No. 1; that include Ellwood Greens  
338 Tariff, Section No. 8 on ILL. C. C. No. 48, Table of Contents; and cancel ILL. C.  
339 C. No. 2, Ellwood Greens Utility Corporation, in its entirety.

340

341 I also recommend that Aqua file new Rate tariffs for wastewater service identified  
342 as ILL. C. C. No. 48, Section No. 8, which transfer the existing Rate tariffs for  
343 wastewater service for Ellwood Greens (ILL. C. C. No. 2, Title Sheet and Section  
344 No. 1, First Revised Sheet No. 1) to Aqua; and cancel ILL. C. C. No. 2, Ellwood  
345 Greens Utility Corporation, in its entirety.

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347 **RECOMMENDATIONS AND CONCLUSION**

348 **Q. What are your recommendations to the Commission in this proceeding?**

A. I recommend that the Commission find that the proposed reorganization meets the requirements of Sections 7-204(b)(1), (b)(5), (b)(6), and (b)(7) of the Act. Therefore, I recommend that the Commission approve the proposed reorganization.

I also recommend:

- that a Certificate be issued to Aqua authorizing it to own, operate and maintain the Ellwood Greens wastewater system and to transact the business of providing wastewater service in the Ellwood Greens Area as shown on the map and legally described in Exhibits A and B of the Second Amended Joint Petition,
- that Ellwood Greens be granted authority to abandon the Ellwood Greens wastewater system and cancel its Certificate,
- that the rates for wastewater service currently applicable to the Ellwood Greens customers continue to be applicable to the customers after the wastewater system is transferred to Aqua,
- that the Rules, Regulations, and Conditions of Service tariffs for wastewater service applicable to Aqua shall be applicable to Ellwood Greens customers, until such time as any changes are approved by the Commission,
- that the Commission order Aqua to file a report with the Chief Clerk of the Commission, bearing Docket No. 09-0335, within seven (7) days after the closing on the proposed acquisition, indicating the date on which the



372 closing on the transaction occurred; Aqua shall also provide a copy of this  
373 filing to the Manager of the Commission's Water Department. and  
374 • that the Commission order Aqua to file the tariff sheets addressed above  
375 in this testimony, within fifteen (15) days of the closing of the acquisition,  
376 with an effective date of not less than ten (10) working days after the date  
377 of filing, for service rendered on and after their effective date, with  
378 individual tariff sheets to be corrected within that time period, if necessary,  
379 and at that time Ellwood Greens' tariffs be cancelled.

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381 **Q. Does this conclude your prepared direct testimony?**

382 **A.** Yes, it does.

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